

ANNUAL STATEMENT
STANDARD OIL COMPANY
(CALIFORNIA)
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To the Stockholders:

Presented herewith is the Balance Sheet of the Company for the year 1921, together with statement of operations and such other details as may be of special interest.

The net profit for the year after deducting depreciation, depletion, interest on debentures and income taxes, was \$33,588,-230.98, or 14.25 per cent on Invested Capital and Surplus of \$235,650,645.08 as of December 31, 1921.

In the early spring of 1921 the general business depression was felt on the Pacific Coast to an extent that demand for petroleum products was materially curtailed, and this condition in turn was reflected in lower prices. At the time of the last annual report production of crude oil in the State had developed to a point which about equaled consumption. The lessened demand, therefore, during the year 1921 afforded the Company an opportunity of replenishing to some extent its depleted stocks. With a return to normal consumption the present production of crude oil in California, it is estimated, will be only sufficient to meet current demands. Some evidences of a return to normal became apparent during the latter part of the year.

Earnings:

Earnings for the year 1921, after deducting all operating and marketing expenses, were \$50,530,409.28. From this there was

written off for depreciation \$10,416,342.94, and for depletion \$3,776,053.65, a total of \$14,192,396.59. There was also deducted interest on the Company's 10-year 7% Gold Debentures of \$1,670,781.71, and an estimate of Federal Income and Excess Profits tax for the year of \$1,079,000.00, leaving a net profit carried to Surplus of \$33,588,230.98.

Surplus:

Surplus for the year increased \$12,375,827.63. Earned Surplus Account during the period was increased \$19,667,309.38 after deduction of dividends. There was added to Appreciated Surplus Account \$13,074,673.20, representing revaluation of lands due to the discovery of oil, principally in the Elk Hills and Huntington Beach districts. This enhanced value is set up on the books of the Company under rules and regulations of the Internal Revenue Department for the purpose of determining depletion. Appreciated Surplus Account, however, under the same Government rules, was reduced by depletion \$23,695,999.22. There is also added to Surplus \$3,361,878.00 representing principally premium on capital stock sales under the Company's Stock Investment and Savings Plan for employees.

Finances:

Cash dividends aggregating \$15,499,546.20 were paid during the year. This represents the regular dividend during the first quarter of \$2.50 per share and an extra dividend of \$1.00 per share on the then par value of \$100 per share. Dividends at the rate of \$1.00 per share were paid for each of the last three quarters upon the new par value of \$25.00 per share.

Accounts Payable as of December 31, 1921, amounted to \$5,807,434.51, being principally for current supplies (paid in January, 1922).

Accounts Receivable, \$14,340,015.83, are chiefly for the current sale of products. The percentage of Accounts Payable to Accounts Receivable was 40.5 per cent.

In January, the Company issued and sold \$25,000,000 ten-year, seven per cent Gold Debentures.

Plant Account:

During the year 1921 Plant Account was increased in all departments by expenditures for new construction and additions in amount of \$29,053,574.37.

Inventories:

At the close of the year 1921 inventories amounted to \$54,288,538.76, representing petroleum products of \$39,926,106.52 and materials and supplies of \$14,362,432.24. Inventories of petroleum products increased for the year \$13,911,546.00, while inventories of materials and supplies show a decrease of \$2,518,267.00, or a net increase for the year of \$11,393,279.00. All inventory values are reduced to cost or market price, whichever is lower.

Taxes:

The Company's taxes for the year were as follows:

Federal income and excess profits tax (1920)	\$7,767,181.07
Federal capital stock tax	345,122.00
Franchises and licenses	399,624.31
Property taxes for 1921	3,294,251.61

Total \$11,806,178.99

Property Taxes increased for the year \$686,351.68, or 26.31 per cent.

Crude Oil Production:

The gross production of crude oil from the Company's wells was 36,696,916 barrels, a daily average of 100,539 barrels, as compared with 29,073,429 barrels in 1920, a daily average of 79,436 barrels. These figures show a gain in 1921 over 1920 of 21,103 barrels daily, or 26.6 per cent, and constitute a record in the history of the Company.

The Company also produced during the year 36,855,070,000 cu. ft. of natural gas, the greater part of which was conserved from wells producing both oil and gas. This is a daily average of 100,972,800 cu. ft. Out of this production, deliveries of 30,743,160,000 cu. ft., being a daily average of 84,227,835 cu. ft., were made for commercial and industrial use, while the balance was used to operate producing properties.

During the year 127 oil wells were completed, and 19 dry holes were drilled and abandoned.

On December 31st the Company was operating 1,211 oil wells and 3 gas wells; in addition to this it was engaged in drilling 65 new wells and redrilling 21 old ones, making a total of 86 strings of tools in operation.

During the year the Company acquired 7,943 acres of new leases and 570 acres by purchase in fee. It also surrendered leases covering 8,274 acres in California and 8,084 acres in the State of Washington, which left total holdings on December 31st of 61,404 acres under lease, 23,765 acres owned in fee and 35,015 acres in which the Company owns the mineral rights.

As in previous years, the Company is doing considerable "wildcatting."

Not finding oil in commercial quantities in Rio Blanco County, Colorado, the Company abandoned its operations and withdrew its organization from that State.

During the year the Company completed the drilling of two wells on the Olympic Peninsula, Grays Harbor County, State of Washington, near the town of Moclips, on acreage held under lease. Oil in commercial quantities was not found, however, in either well, and all operations were abandoned.

The California Company:

Due to the development of oil in commercial quantities in the State of Montana, the Company formed a subsidiary known as The California Company, to operate in that state.

Drilling operations were commenced in the latter part of December, 1921, in Fergus County, about 17 miles northeast of Lewistown, Montana. Through its subsidiary the Company is interested in leases on 21,353 acres of land surrounding the drilling well.

The California Company also acquired, by purchase, 3,523 acres of fee land located in Wheatland County, Montana.

Foreign Crude Oil Production Department:

This department was established during the year to centralize the Company's efforts in all fields outside the continental confines of the United States. There was acquired during the year controlling interest in Colombia properties having concessions of approximately 1,350,000 acres, on which two wells are being drilled. The Company is also drilling, through its subsidiary, the Richmond Petroleum Company, two wells in the Philippines in unproven territory.

Crude Oil Runs:

The total crude oil runs of the Company's pipe lines, including the Company's own production in 1921, amounted to 130,287 barrels per day, an increase of 22,929 barrels daily over 1920.

Stocks of Petroleum Products:

The total stock of crude oil on hand as of December 31, 1921, was 12,400,000 barrels, an increase of 4,800,000 barrels for the year. The total of all stocks (crude, semi-finished and finished) was 29,500,000, an increase for the year of 13,800,000 or 37,800 barrels a day.

Crude Oil Prices:

The base price of crude oil at \$1.60 per barrel, offered by the Company July 10, 1920, was unchanged until May 13, 1921, when the Company reduced its offer to \$1.35 per barrel, and on August 3, 1921, further reduced its offer to \$1.10 per barrel. Corresponding reductions were offered for the Refinable grades.

Manufacturing Department:

During the year the sum of \$1,445,267.04 was expended for increasing refinery facilities. An additional 1,000,000-barrel reservoir at El Segundo was begun and during the year process improvements were made which materially increased the refining capacity. New and improved methods were adopted in manufacturing lubricating oils, gasoline, refined oils and asphalt which are proving very successful not only as to quality but particularly as to economy in operation.

Marine Department:

During the year 1921 the following steamers were completed and added to the Company's marine equipment:

M.S. "H. T. HARPER" of 4,703 tons dead weight capacity,
S.S. "R. J. HANNA" of 11,210 tons dead weight capacity,
S.S. "K. R. KINGSBURY" of 11,930 tons dead weight capacity,
S.S. "F. H. HILLMAN" of 15,608 tons dead weight capacity.

Two additional twin screw tank steamers, "H. M. STOREY" and "W. S. RHEEM," of approximately 15,600 tons dead weight capacity each, were practically completed. No additional ships were contracted for during the year 1921. Sales were made during the year of tow boat "STANDARD No. 2" and barge "S. O. Co. No. 1."

Pipe Line Department:

Pipe lines were extended during the year to serve the Huntington Beach and Signal Hill fields and an extension of capacity was made in the San Joaquin Valley.

Sales Department:

The Sales Department Plant Account was increased \$2,703,-735.00. Seventeen new sub-stations were added during the year, making a total of 428. One hundred and thirty-nine new service stations were added, making a total of 400. There were also added 72 motor trucks and 86 automobiles.

Motor Vehicle Department:

During the year a new department called the "Motor Vehicle Department" was established, centralizing therein the standardization, maintenance and upkeep of the entire motor equipment. This department has under its jurisdiction 1,444 motor

trucks, 1,208 automobiles, 13 motorcycles, 16 tractors and 27 trailers.

New Home Office Building:

Erection of the Company's new Home Office building at Bush and Sansome Streets, San Francisco, was begun in September. The structure will be twenty-two stories, reaching a height of three hundred and twenty-six feet, with a total floor area of 425,000 square feet. It will be ready for occupancy early in 1923.

Personnel Department:

This department's close affiliation with the Stock Investment and Savings Plan, Sickness and Life Insurance Plan, Accident Prevention Work and Educational and Recreational activities has been found very helpful in cementing a close relationship of the employees and the Company. On December 31, 1921, the number of employees was 15,962, a decrease of 15 per cent compared with 1920. The general contraction of business and the completion of the Company's large construction program of the previous year were the main factors in this decrease.

Medical Department:

During the year the hospital for the tuberculous at Colfax was completed. Of the 52 employees who have been patients at this hospital, 18 have been returned to duty as cured. The activity of this department, in its advice to employees, has been of marked value to them and will doubtless result in an improvement in general standards of health. Its activity also in accident prevention and in directing specialized treatment has materially added to the general welfare.

Employees' Stock Investment and Savings Plan:

The special meeting of the Stockholders held March 10th ratified the recommendation of the Company directors to increase the authorized capital stock of the Company for the purpose of providing stock for the employees. Accordingly a stock investment and savings plan was put in effect May 1, 1921, and immediately met with a very general response. On December 31, 1921, eighty-six per cent of those eligible, representing 10,906 employees, had taken advantage of the opportunity to subscribe to this plan. This plan is operative until May, 1926, and provides that an employee, after one year of service, may subscribe up to twenty per cent of his salary each year, to which amount the Company adds fifty cents for each dollar so subscribed by the employee. The directors establish quarterly a price at which the stock is issued from the treasury, which price is approximately the then market value. As the amount of money to the credit of an employee reaches the price set by the directors, a share of stock is issued to the Trustees for the employee's account, and thereafter the dividends on that share accrue to the credit of the employee. At the end of five years the stock held by the trustees issues to the employees. There were 41,368 shares in the hands of the Trustees December 31, 1921, representing \$3,695,838.00 standing to the credit of the employees. The average subscription to the plan is 16.85% of the employee's salary.

Stockholders:

The number of stockholders increased during the year from 7,452 to 8,330, not including those under the stock investment plan for employees. Forty-five per cent of the stockholders are women and more than 98% are American residents.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1921

STANDARD OIL COMPANY

AND

RICHMOND PETROLEUM COMPANY**THE CALIFORNIA COMPANY***(Both Entirely owned by Standard Oil Company)**Assets*

Plant Account	\$180,895,117.82
*Investment in Securities . .	19,370,737.87
Inventories	54,288,538.76
Accounts Receivable	14,340,015.83
Notes Receivable	1,096,157.81
Deferred Charges	2,415,555.26
Cash	4,327,002.82

Total Assets \$276,733,126.17

* At cost (substantially less than the market value).

Liabilities

Capital Stock Authorized . .	\$115,000,000.00
Less Unissued Stock	14,028,889.17

Capital Stock Outstanding . .	100,971,110.83
10 Year 7% Gold Debentures . .	25,000,000.00
Accounts Payable	5,807,434.51
Mdse. Due on Contract	923,225.59
Accrued Debenture Interest . .	729,166.66
Insurance Reserve	170,312.74
Income Tax Reserve	6,729,986.59
Suspended Earnings	1,722,355.00
Surplus	134,679,534.25

Total Liabilities \$276,733,126.17

Earnings and Surplus

Earnings for the Year	\$50,530,409.28
Less Depreciation and Depletion	14,192,396.59
	\$36,338,012.69
Less Interest on Debentures	1,670,781.71
Gross Profit for 1921	\$34,667,230.98
Less Income Tax (Estimated)	1,079,000.00
Net Profit for 1921	\$33,588,230.98

Surplus Account

Surplus January 1, 1921	\$122,303,706.62
Net Earnings for 1921	33,588,230.98
Stock Premium	3,361,878.00
	\$159,253,815.60
Less: Adjustments 1920 Taxes, Discovery Appreciation and Depletion on Appreciated Surplus	\$9,074,735.15
Dividends Paid	15,499,546.20
	24,574,281.35
Surplus December 31, 1921	\$134,679,534.25
Earned Surplus December 31, 1921	\$75,073,408.55
Capital Surplus December 31, 1921	3,361,878.00
Appreciated Surplus December 31, 1921	56,244,247.70
	\$134,679,534.25

Respectfully Submitted

December 31, 1921

K. R. KINGSBURY, *President*

